



Guide to Federal Student Financial Aid for New York's 4th Congressional District

The Office of Congresswoman Carolyn McCarthy

August, 2002

Dear Friends,

With tuition costs increasing, paying for college has become a substantial financial burden for many Long Island families. Fortunately, this year the U.S. Department of Education will provide more than \$67 billion in student aid to help millions of students and their families pay for college.

This guide is an introduction to the types of programs available, application process and eligibility criteria for federal student aid programs.

For more detailed information, aid applications, and deadlines, visit the Department of Education's Financial Aid Web site at <http://www.ed.gov/studentaid/student.html> or call the Federal Student Aid Information Center at 1-800-4-FED-AID (1-800-433-3243).

I hope you find the information in this packet useful.

Sincerely,

A handwritten signature in dark ink, reading "Carolyn McCarthy". The signature is fluid and cursive, with the first name "Carolyn" and last name "McCarthy" clearly distinguishable.

CAROLYN McCARTHY
MEMBER OF CONGRESS

Direct Loans

◆ Federal Direct Subsidized Loans (Stafford/Ford Loans)

Students must demonstrate financial need to receive direct subsidized loans. Each school determines financial need based on information provided on financial aid applications. The federal government pays the interest on these loans while the recipient is at least a half-time student.

◆ Federal Direct Unsubsidized Loans (Stafford/Ford Loans)

Students are eligible for unsubsidized loans regardless of financial need, but are responsible for all interest charges.

◆ Federal Direct PLUS Loans

Parents of students classified as “dependents” on their tax returns can get Direct PLUS Loans to pay for their children’s education. Parents are responsible for all interest charges. Parents with an acceptable credit history can receive a PLUS Loan to pay education expenses for a child enrolled at least half-time at an eligible school

◆ Federal Direct Consolidation Loans

These loans combine one or more federal education loan into one Direct Loan. One monthly payment is made to the U.S. Department of Education.

Direct Loans FAQ

How do I get a Direct Loan?

You must complete a Federal Application for Student Assistance. You can apply online at www.fafsa.ed.gov. Paper applications, in English or Spanish, are available at your local public library, high school, college you plan on attending or by calling the Federal Student Aid Information Center at **1-800-4-FED-AID**.

How much can I borrow?

The amount a student can borrow depends on the student's school costs, other financial aid the student may receive, and the student's individual or family financial status.

These are the overall limits for all subsidized and unsubsidized loans:

- \$23,000 for a dependent undergraduate student (\$2,625 the first year, \$3,500 the second, and \$5,500 each year following)
- \$46,000 for a independent undergraduate student (\$6,625 the first year, \$7,500 the second, and \$10,500 each year following)
- \$138,500 for a graduate or professional student (including loans for undergraduate study)

The parent of a dependent student can borrow up to the cost of their student's education minus the financial aid the student receives.

Direct Loans FAQ

How do I repay a Direct Loan?

After a student graduates, leaves school, or attends classes less than “half-time”, there is a six month grace period before repayment begins. During this period, loan recipients will receive repayment options and notification of the initial payment due date.

Repayment options are as followed:

- a 10 year plan with a minimum monthly payment of \$50
- a graduated plan with monthly payments starting out low and increasing gradually during the repayment period
- a plan basing your monthly payment on how much money you earn

What is the interest rate on Direct Student Loans?

The interest rate is variable, adjusted annually. However, the rate will never exceed 8.25 per cent. You will be notified any time the variable rate changes. For PLUS Loans, the rate can never exceed 9 per cent.

What if I have trouble repaying my loan?

Under specific circumstances, you can receive a deferment or forbearance on your loan. During a deferment, no payments are required. With subsidized loans, the federal government pays the interest accrued during the deferment. With unsubsidized loans, you are still responsible for all interest due.

Pell Grants

A Federal Pell Grant does not have to be repaid. Pell Grants are awarded to undergraduate students who have not yet earned a bachelor's or professional degree.

How much can I receive from a Pell Grant?

The maximum award for 2002-03 is \$4000. The amount you will receive depends on your financial need, cost of attending your school, your course load, and your plans to attend school for a full academic year or less.

How do I apply for a Pell Grant?

You must complete the Federal Application For Student Assistance. When your FAFSA is processed, a formula is applied to the information provided. The formula's result is the Expected Family Contribution (EFC). The EFC is an indicator of how much money you and your family are expected to contribute toward the cost of your education throughout the school year. If your EFC is less than a predetermined number, you will be eligible for a Pell Grant, assuming you meet all other eligibility requirements.

How are Pell Grants disbursed to recipients?

Depends on your school's policy. Your school can apply Pell Grant funds directly to your expenses, pay you directly, or both. The school must tell you in writing how much your award will be and how and when you will be paid. Schools must disburse funds at least once per term.

Campus Based Aid Programs

The Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work-Study (FWS), and Federal Perkins Loan Programs are considered “campus based” programs because each is administered by the financial aid offices at participating schools. **Not all schools participate in these programs.**

Federal Supplemental Educational Opportunity Grants (FSEOG)

FSEOGs are aid for undergraduates with exceptional need for financial aid. Pell Grant recipients with the lowest EFCs will receive the first FSEOGs. FSEOG recipients receive between \$100 and \$4000 per year depending on when date of application, financial need, and the costs of the recipient’s school. FSEOGs do not need to be paid back.

Campus Based Aid Programs

Federal Work Study (FWS)

FWS provides part-time jobs for undergraduate and graduate students with financial need. The program encourages community service and work related to the recipients course of study. FWS students are paid by the hour. Wages must be equal or greater than the current federal minimum wage, depending on the work being performed. Each student's FWS award depends on financial need and the funding level at his or her school, however the amount earned on the job cannot exceed your total FWS award. Employers and financial aid administrators will consider each student's award amount, class schedule, and academic progress when assigning work hours.

Federal Perkins Loans

A Perkins Loan is a low-interest loan of up to \$4000 for undergraduate and graduate students with exceptional financial need. Perkins Loans are made through a school's financial aid office. The school is the lender and the loan is made with federal funds, this loan must be repaid according to the repayment specifications of a Direct Loan.

Applying for Federal Student Aid

Your eligibility for federal student aid is determined by your financial need, the cost of attending your college or university, and your enrollment status (whether you are attending classes full-time, half-time, part-time, etc.). The financial aid administrator at the college or career school you plan to attend will determine your eligibility. The first step is completing the Federal Application for Student Assistance. You can apply online at www.fafsa.ed.gov. Paper applications, in English or Spanish, are available at your local public library, high school, college you plan on attending or by calling the Federal Student Aid Information Center at 1-800-4-FED-AID.

How is my eligibility determined?

When your application is processed, a formula is applied to the information provided. This formula is used to calculate your Expected Family Contribution, a measurement of you and your family's financial ability to pay the costs of attending college. The EFC indicates how much money you and your family are expected to contribute toward the cost of your attendance for the upcoming school year.

Applying for Federal Student Aid

What does “cost of attendance” include?

Your cost of attendance is the sum of:

- Tuition and fees
- Cost of room and board
- Cost of books, supplies, and miscellaneous expenses
- An allowance for transportation

Are special circumstances considered in determining how much aid I can receive?

A financial aid administrator at your college will consider special or unusual circumstances. For example, the administrator can change your status from dependent to independent if he or she is presented with a good reason to do so. Remember, the decision to change your status is entirely up to your administrator. His or her decision cannot be appealed to the U.S. Department of Education.

The FA administrator can also adjust the your cost of attendance used to calculate your EFC. Contact the administrator at your school if your family has any unusual circumstances restricting the ability to meet the costs of attending college.

State of New York Financial Aid Programs

The New York State Higher Education Services Corporation (HESC) is the state agency that helps people pay for college by administering the Tuition Assistance Program (TAP), guaranteeing student loans, offering guidance and administering a highly successful College Savings program for students and families. Information about college financing issues can be found at www.hesc.com/about_hesc.html or by calling 1-888-NYS-HESC (1-888-697-4372) or 1-518-473-1574 or 1-800-445-5234 (TDD).

Other Ways to Reduce the Cost of School

Even when receiving financial aid, college can be quite a financial burden on students and families. Recipients of financial aid often face substantial monthly payments upon leaving college. Here are a few ways to reduce or offset the cost of school to avoid borrowing too much:

Tax Breaks

You or your parents might qualify for a Hope tax credit or Lifetime Learning tax credit. For more information, visit www.ed.gov/updates/97918tax.html.

Also, talk to a tax professional or download IRS Publication 970, *Tax Benefits for Higher Education* from the Internal Revenue Service's Web site, www.irs.ustreas.gov.

Lower Cost Schools

Many students planning to earn a bachelor's degree begin their education at a two-year community college. Community colleges are partially funded by local and state governments and are usually less expensive than four-year schools. Community colleges also allow you to save room and board costs by living at home and commuting to classes. Many classes offered at community colleges will count towards a bachelor's degree at four year schools.

Other Ways to Reduce the Cost of School

Americorps

Americorps is a program allowing participants to earn education awards in return for national service. For more information contact:

The Corporation for National Service

1201 New York Avenue, NW

Washington, DC 20525

1-800-94-ACORPS (1-800-942-2677)

www.cns.gov

Other Ways to Reduce the Cost of School

U.S. Armed Forces

The Armed Forces offer the following programs to pay for or reduce college costs:

- Enroll in your school's Reserve Training Corps Program (ROTC), which will pay your tuition, fees, and books and provide you with a monthly allowance.
- Joining the Armed Forces before attending college allows you to take advantage of the Montgomery G.I. Bill, which provides financial support to those attending college after military service.
- Enlistees in the U.S. Army may be eligible to receive assistance from the Army's Loan Repayment Program. For a four year enlistment in the active Army, up to the \$65,000 in repayment assistance may be available. For Army Reserve enlistees, up to \$20,000 may be available.